Home Production and Use

Tax Expenditure Initial Review - TEB 7.1.02

Tax Expenditure Facts

Year Enacted	1957
Statute	Minnesota Statutes 2025, section 297G.07, subdivision 1(6)
Tax Type	Alcoholic Beverages
Provision Type	Exemption – Alcoholic Beverages
Latest Fiscal Impact Estimate	Direct measure of this estimate is not currently available
Latest Claims Estimate	Direct measure of this estimate is not currently available
Expiration Date	None

Estimated fiscal impact is less than $50,000 per year through fiscal year 2027

Tax Expenditure Description

Beer naturally brewed or fruit juices naturally fermented in the home for family use are exempt from the alcoholic beverage excise taxes. This exemption was authorized by statute in 1957 and was last modified in 1997.

Additional Background Information

This expenditure was created in 1957 by HF698, the same bill that clarified all intoxicating liquors manufactured, imported, or in the possession of any person in Minnesota were subject to the Intoxicating Liquors Excise Tax. At that time, only the natural fermentation of fruit juices in the home was stated in the exemption.

While wine and beer produced at home for family use is not sold or offered for sale, the law passed in 1957 added the terms manufactured, imported, and possessed by any person in Minnesota, to describe alcoholic beverages that were subject to an excise tax. If the exemption was not created, home produced wine would have been subjected to the excise tax as well.

Homebrewing of beer became legally permissible at the federal level in 1978, when President Jimmy Carter signed H.R. 1337.[i] The federal legislation exempted both home produced beer and wine from federal taxation. Federal exemption limits for beer or wine for personal or family use cannot exceed 200 gallons per calendar year if there are 2 or more adults in the household, or 100 gallons per calendar year if there is 1 adult in the household.[ii]

The Home Production and Use Exemption of beer and wine reduces the amount of alcohol excise tax revenue that would otherwise be generated. State alcohol excise tax collections are deposited in the state General Fund per Minnesota Statutes, section 297G.10. The exemption is administered by the Department of Revenue.

Proposed Tax Expenditure Objective for Consideration

The objective of the Home Production and Use Exemption is to reduce administrative burden and costs to the state for enforcing an excise tax on individuals who produce and use beer and wine beverages in the home for family use.

Sources

An explicit tax expenditure objective was not identified in the legislative record. It is inferred that individuals are exempt from paying alcohol excise tax on limited quantities of beer and wine produced at home for personal use and not for sale to relieve the state of the administrative challenge of enforcing an excise tax on wine and beer produced in the privacy of an individual's home.

A similar provision in Colorado law was determined to be a "structural expenditure" meant to reduce administrative costs to the state and individuals who produce alcoholic beverages at home and define the tax base for the state alcohol excise tax. [iii] Homemade beer and cider were added to the Colorado provision in 1986 by House Bill 86-1070, after home beer production became legal at the federal level. Similar to Minnesota law, according to Section 44-3-503(1)(a), C.R.S., all alcohol "sold, offered for sale, or used" in the State of Colorado is subject to an excise tax, unless specifically exempt. A review of the Colorado tax expenditure noted that without the homemade alcohol exemption, alcohol produced for personal use would be subject to the tax because it is "used" in Colorado. In Minnesota, without the Home Production and Use Exemption, home produced beer and wine would be subject to tax because it is "manufactured" and "possessed" by a person in Minnesota.

Potential Metrics and Performance Measures

An estimate of home brewing activity may be possible based on estimated sales data of homebrewing equipment in the state.

Contact Information and Disclaimer

This tax expenditure review was prepared by the Legislative Budget Office for the Tax Expenditure Review Commission pursuant to Minnesota Statutes 2025, section 3.8855, subdivision 4.

Notice: Proposed Tax Expenditure Objective statements are not binding authority and should not be used as a legal interpretation of any tax expenditure statute.

For questions regarding this review, please contact the Legislative Budget Office at 651-297-7146 or lbo@lbo.mn.gov.

For more information, please visit the Tax Expenditure Review Commission website.

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[i] H.R. 1337, 95th Cong. (1978) (enacted); "Just Brew It: A Brief Legislative History about Homebrewing in the United States," Library of Congress, February 2, 2023, https://blogs.loc.gov/law/2023/02/just-brew-it-a-brief-legislative-history-about-homebrewing-in-the-united-states-part-1/.

[ii] United States Code title 26, chapter 51, part 1, subpart D, section 5053, subdivision E; United States Code title 27, chapter 1, subchapter A, part 24, subpart C, section 24.75.

[iii] "Colorado Office of the State Auditor, "Exemption for Alcohol Produced by Individuals for Personal Use," April 2020, https://leg.colorado.gov/sites/default/files/2020-te11_homemade_alcohol.pdf.